Internal Revenue

bulletin

Bulletin No. 2001–53
December 31, 2001

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Executive Order 13239, page 632.
Afghanistan designated as combat zone. By this executive order, Afghanistan (and its airspace) is designated as a combat zone beginning September 19, 2001.

Rev. Rul. 2001–64, page 640.
CPI adjustment for below-market loans for 2002. The amount that section 7872(g) of the Code permits a taxpayer to lend to a qualified continuing care facility without incurring imputed interest is published and adjusted for inflation for years 1987–2002. Rev. Rul. 2000–56 supplemented and superseded.

Rev. Rul. 2001–65, page 639.
Section 1274A, inflation-adjusted numbers for 2002. This ruling provides the dollar amounts, increased by the 2002 inflation adjustment, for section 1274A of the Code. Rev. Rul. 2000–55 supplemented and superseded.

Rev. Rul. 2001–66, page 637.
LIFO; price indexes; department stores. The October 2001 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, October 31, 2001.

Rev. Proc. 2001–60, page 643.
Insurance companies; loss reserves; discounting unpaid losses. The loss payment patterns and discount factors are set forth for the 2001 accident year. These factors will be used for computing discounted unpaid losses under section 846 of the Code.

Rev. Proc. 2001–61, page 653.
Insurance companies; discounted estimated salvage recoverable. The salvage discount factors are set forth for the 2001 accident year. These factors will be used for computing estimated salvage recoverable under section 832 of the Code.

EMPLOYEE PLANS

Rev. Rul. 2001–62, page 632.
Mortality tables. This ruling describes changes to the mortality tables under section 417(e) of the Code for employee plans purposes. Rev. Rul. 95–6 superseded for certain distributions and Rev. Rul. 98–1 modified.

Notice 2001–84, page 642.
Retirement plans; year 2002 section 415(d) limitations. This notice sets forth certain limitations reset and established by EGTRRA as well as cost-of-living adjustments effective January 1, 2002, applicable to the dollar limits on benefits under qualified defined benefit pension plans and to other provisions affecting (1) certain plans of deferred compensation, and (2) "control employees."

Actions Relating to Court Decisions is on the page following the Introduction.
Finding Lists begin on page ii.

Department of the Treasury
Internal Revenue Service

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Actions Relating to Decisions of the Tax Court

It is the policy of the Internal Revenue Service to announce at an early date whether it will follow the holdings in certain cases. An Action on Decision is the document making such an announcement. An Action on Decision will be issued at the discretion of the Service only on unappealed issues decided adverse to the government. Generally, an Action on Decision is issued where its guidance would be helpful to Service personnel working with the same or similar issues. Unlike a Treasury Regulation or a Revenue Ruling, an Action on Decision is not an affirmative statement of Service position. It is not intended to serve as public guidance and may not be cited as precedent.

Actions on Decisions shall be relied upon within the Service only as conclusions applying the law to the facts in the particular case at the time the Action on Decision was issued. Caution should be exercised in extending the recommendation of the Action on Decision to similar cases where the facts are different. Moreover, the recommendation in the Action on Decision may be superseded by new legislation, regulations, rulings, cases, or Actions on Decisions.

Prior to 1991, the Service published acquiescence or nonacquiescence only in certain regular Tax Court opinions. The Service has expanded its acquiescence program to include other civil tax cases where guidance is determined to be helpful. Accordingly, the Service now may acquiesce or nonacquiesce in the holdings of memorandum Tax Court opinions, as well as those of the United States District Courts, Claims Court, and Circuit Courts of Appeal. Regardless of the court deciding the case, the recommendation of any Action on Decision will be published in the Internal Revenue Bulletin.

The recommendation in every Action on Decision will be summarized as acquiescence, acquiescence in result only, or nonacquiescence. Both "acquiescence" and "acquiescence in result only" mean that the Service accepts the holding of the court in a case and that the Service will follow it in disposing of cases with the same controlling facts. However, "acquiescence" indicates neither approval nor disapproval of the reasons assigned by the court for its conclusions; whereas, "acquiescence in result only" indicates disagreement or concern with some or all of those reasons. "Nonacquiescence" signifies that, although no further review was sought, the Service does not agree with the holding of the court and, generally, will not follow the decision in disposing of cases involving other taxpayers. In reference to an opinion of a circuit court of appeals, a "nonacquiescence" indicates that the Service will not follow the holding on a nationwide basis. However, the Service will recognize the precedential impact of the opinion on cases arising within the venue of the deciding circuit.

The Actions on Decisions published in the weekly Internal Revenue Bulletin are consolidated semiannually and appear in the first Bulletin for July and the Cumulative Bulletin for the first half of the year. A semiannual consolidation also appears in the first Bulletin for the following January and in the Cumulative Bulletin for the last half of the year.

The Commissioner does NOT ACQUIESCE in the following decision:

North Dakota State University v. United States[1]
84 F. Supp. 2d 1043 (D.N.D. 1999),
aff'd. 255 F.3d 599 (8th Cir. 2001)

[1] Nonacquiescence relating to whether early retirement payments that the taxpayer made to tenured faculty members are wages subject to Federal Insurance Contributions Act ("FICA") taxes.

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 112.—Certain Combat Zone Compensation of Members of the Armed Forces

Executive Order 13239

Designation of Afghanistan and the Airspace Above as a Combat Zone

Pursuant to the authority vested in me as President by the Constitution and the laws of the United States of America, including section 112 of the Internal Revenue Code of 1986 (26 U.S.C. 112), I designate, for purposes of that section, Afghanistan, including the airspace above, as an area in which Armed Forces of the United States are and have been engaged in combat.

For purposes of this order, I designate September 19, 2001, as the date of the commencement of combatant activities in such zone.

George W. Bush

The White House,
December 12, 2001.

(Filed by the Office of the Federal Register on December 13, 2001, 11:38 a.m., and published in the issue of the Federal Register for December 14, 2001, 66 F.R. 64905)

Section 415.—Limitations on Benefits and Contributions Under Qualified Plans

Whether the limitations on benefits and contributions described in § 415 of the Code are exceeded as a result of the application of new mortality tables. See Rev. Rul. 2001–62, on this page.

Section 417.—Definitions and Special Rules for Purposes of Minimum Survivor Annuity Requirements

26 CFR 1.417(e)–1: Restrictions and valuations of distributions from plans subject to sections 401(a)(11) and 417.
(Also, § 415.)

Mortality tables. This ruling describes changes to the mortality tables under section 417(e) of the Internal Revenue Code for employee plans purposes.

Rev. Rul. 2001–62

ISSUE

What mortality table is the prescribed table under § 415(b)(2)(E)(v) of the Internal Revenue Code (the "Code") and the applicable mortality table under § 417(e)(3)(A)(ii)(I)?

LAW AND ANALYSIS

Section 415(b) provides for limitations on benefits payable under qualified defined benefit plans. Section 415(b)(1) provides, for limitation years ending on or before December 31, 2001, that the limitation on benefits, when expressed as an annual benefit (*i.e.*, a benefit payable annually in the form of a straight life annuity with no ancillary benefits) is the lesser of (a) $90,000 (as adjusted for increases in the cost of living) or (b) 100 percent of the participant's average compensation for the high 3 years. Section 415(b)(2)(B) provides that, if the benefit under the plan is payable in any form other than a straight life annuity, the determination of whether the limitation of § 415(b)(1) has been satisfied is made by adjusting such benefit so that it is equivalent to a straight life annuity. Sections 415(b)(2)(C) and (D) provide, for limitation years ending on or before December 31, 2001, for adjustments to the $90,000 (as adjusted for increases in the cost of living) limit when benefits begin at an age other than at social security retirement age.

For limitation years ending after December 31, 2001, section 611(a) of the Economic Growth and Tax Relief Reconciliation Act of 2001, Public Law 107–16 (EGTRRA), made a number of changes to the limitations under § 415 of the Code. For limitation years ending after December 31, 2001, the adjustments under § 415(b)(2)(C) apply to benefits that commence before age 62 and the adjustments under § 415(b)(2)(D) apply to benefits that begin after age 65.

Section 415(b)(2)(E)(v) provides that, for purposes of adjusting any benefit or limitation under § 415(b)(2)(B), (C), or (D), the mortality table used is the table prescribed by the Secretary. The statute further provides that the table is based on the prevailing commissioners' standard table (described in § 807(d)(5)(A)) used to determine reserves for group annuity contracts issued on the date the adjustment is being made (without regard to any other subparagraph of § 807(d)(5)).

Section 417(e)(3) provides rules for the determination of the present value of plan benefits for purposes of § 417(e). Section 417(e)(3)(A)(i) generally provides that, for purposes of § 417(e)(1) and (e)(2), the present value is not less than the present value calculated by using the applicable mortality table and the applicable interest rate. In addition, § 411(a)(11)(B) provides that, the determination of present value for purposes of § 411(a)(11)(A) is calculated in accordance with § 417(e)(3). Sections 203(e)(1), 203(e)(2), and 205(g)(3) of the Employee Retirement Income Security Act of 1974 (ERISA) provide corresponding provisions to §§ 411(a)(11)(A), 411(a)(11)(B), and 417(e)(3) of the Code.

Section 417(e)(3)(A)(ii)(I) defines the term "applicable mortality table" as the mortality table prescribed by the Secretary. The statute further provides that the table is based on the prevailing commissioners' standard table (described in § 807(d)(5)(A)) used to determine reserves for group annuity contracts issued on the date the adjustment is being made (without regard to any other subparagraph of § 807(d)(5)).

Section 1.417(e)–1(d)(1) of the Income Tax Regulations provides that a defined benefit plan must provide that the present value of any accrued benefit and the amount (subject to §§ 411(c)(3) and 415) of any distribution, including a single sum, must not be less than the amount calculated using the applicable interest rate described in § 1.417(e)–1(d)(3) (determined for the month described in § 1.417(e)–1(d)(4)) and the applicable mortality table described in § 1.417(e)–1(d)(2). The present value of any optional form of benefit cannot be less than the present value of the normal retirement benefit determined in accordance with the preceding sentence. Under § 1.417(e)–1(d)(1), these rules must also be used to compute the present value of the benefit for purposes of determining whether consent for a distribution is required.

Section 1.417(e)–1(d)(2) provides that the applicable mortality table is the mortality table based on the prevailing commissioners' standard table (described in § 807(d)(5)(A)) used to determine reserves for group annuity contracts issued on the date as of which present value is being determined (without regard to any other subparagraph of § 807(d)(5)), that is prescribed by the Commissioner in revenue rulings, notices, or other guidance published in the Internal Revenue Bulletin. The Commissioner may also prescribe rules that apply in the case of a change to the prevailing commissioners' standard table.

For purposes of § 807(d)(5) of the Code, Rev. Rul. 92–19 (1992–1 C.B. 227) sets forth the prevailing commissioners' standard table for group annuities as the 1983 Group Annuity Mortality Table (83 GAM) for contracts issued after January 1, 1985.

The U.S. Supreme Court, in *Arizona v. Norris*, 463 U.S. 1073, 1084–1086 (1983), held that the application of sex-distinct actuarial tables to employees based upon their gender in calculating the amount of retirement benefits violates Title VII of the Civil Rights Act of 1964.

Rev. Rul. 95–6 (1995–1 C.B. 80) provided a mortality table, based upon a fixed blend of 50 percent of the male mortality rates and 50 percent of the female mortality rates from the 83 GAM, as the applicable mortality table for purposes of adjusting benefits or limitations under § 415(b)(2) of the Code and determining the present value of plan benefits under § 417(e)(3). Rev. Rul. 98–1 (1998–1 C.B. 249) Q & A–6, provides that Rev. Rul. 95–6, provides the mortality table which generally must be used for the purposes of adjusting any benefit or limitation under § 415(b)(2)(B), (C), or (D).

For purposes of § 807(d)(5) of the Code, Rev. Rul. 2001–38 (2001–33 I.R.B 124) supplements Rev. Rul. 92–19 by setting forth, for certain insurance products issued on or after January 1, 1999, the prevailing commissioners' standard table for group annuities as the 1994 Group Annuity Reserving Table (94 GAR).

Section 411(d)(6) of the Code generally prohibits a plan amendment that decreases a participant's accrued benefit. Section 411(d)(6)(B) provides that an amendment that eliminates an optional form of benefit is treated as reducing a participant's accrued benefit, but permits the Secretary of Treasury to provide for the elimination of certain optional forms of benefits under regulations. Section 1.411(d)–4, Q & A–2(b) provides that the Commissioner may, through the publication of revenue rulings, notices, and other items of general applicability, provide for the elimination or reduction of certain § 411(d)(6) protected benefits that have already accrued.

Section 401(b) and the regulations thereunder provide a remedial amendment period during which an amendment to a disqualifying provision may be made retroactively effective, under certain circumstances, to comply with the requirements of § 401(a). In Notice 2001–42 (2001–30 I.R.B. 70) the Service provided that the remedial amendment period for changes in the plan qualification requirements made by EGTRRA would end no earlier than the end of the first plan year beginning on or after January 1, 2005. This "EGTRRA remedial amendment period" is available only if good faith EGTRRA plan amendments have been adopted by, generally, the end of the first plan year beginning on or after January 1, 2002.

HOLDING

The following mortality table, based upon a fixed blend of 50 percent of the unloaded male mortality rates and 50 percent of the unloaded female mortality rates underlying the mortality rates in the 94 GAR, projected to 2002, is the applicable mortality table for purposes of adjusting benefits or limitations under § 415(b)(2) of the Code and for determining the present value of plan benefits under § 417(e)(3) and the corresponding provisions of ERISA. The table shows, for each age, the number living based upon a starting population of one million lives at age 1 (l_x), and the annual rate of mortality (q_x).

Plans may incorporate this table by reference to this revenue ruling. A plan amendment will not violate section 411(d)(6)(B) of the Code and the corresponding provision of ERISA solely because of a reduction in any annuity distribution with an annuity starting date on or after the later of the adoption date or the effective date of this amendment if the cause of such reduction is the substitution of the table in this revenue ruling for the table in Rev. Rul. 95–6. If the effective date is earlier than the adoption date of this plan amendment, § 415(b)(2)(B) of the Code will not be violated if such amendment provides that any payments made after the adoption date will be reduced actuarially by the value of the excess, if any, of annuity distributions paid before the adoption date of this amendment over annuity distributions that would have been permissible under section § 415(b)(2)(B) if the amendment had been adopted as of such effective date.

Mortality Table
for Sections 415 and 417(e)

Age	l_x	q_x
1	1000000.00	0.000514
2	999486.00	0.000341
3	999145.18	0.000270
4	998875.41	0.000207
5	998668.64	0.000188
6	998480.89	0.000179
7	998302.16	0.000170
8	998132.45	0.000154
9	997978.74	0.000148
10	997831.04	0.000150
11	997681.37	0.000158
12	997523.74	0.000171
13	997353.16	0.000192
14	997161.67	0.000225
15	996937.31	0.000262
16	996676.11	0.000296
17	996381.09	0.000324
18	996058.26	0.000343
19	995716.61	0.000357
20	995361.14	0.000368
21	994994.85	0.000381
22	994615.76	0.000396
23	994221.89	0.000418
24	993806.31	0.000441
25	993368.04	0.000468
26	992903.14	0.000500
27	992406.69	0.000523
28	991887.66	0.000543
29	991349.07	0.000564
30	990789.95	0.000588

Mortality Table
for Sections 415 and 417(e)

Age	l_x	q_x
31	990207.37	0.000612
32	989601.36	0.000633
33	988974.94	0.000649
34	988333.10	0.000661
35	987679.81	0.000675
36	987013.13	0.000695
37	986327.16	0.000727
38	985610.10	0.000768
39	984853.15	0.000819
40	984046.56	0.000879
41	983181.58	0.000944
42	982253.46	0.001014
43	981257.45	0.001083
44	980194.75	0.001151
45	979066.55	0.001224
46	977868.17	0.001312
47	976585.21	0.001422
48	975196.51	0.001554
49	973681.05	0.001699
50	972026.77	0.001869
51	970210.05	0.002065
52	968206.57	0.002302
53	965977.76	0.002571
54	963494.23	0.002854
55	960744.42	0.003197
56	957672.92	0.003614
57	954211.89	0.004124
58	950276.72	0.004712
59	945799.02	0.005345
60	940743.72	0.006062

Mortality Table
for Sections 415 and 417(e)

Age	l_x	q_x
61	935040.93	0.006912
62	928577.93	0.007846
63	921292.31	0.008958
64	913039.37	0.010151
65	903771.11	0.011441
66	893431.06	0.012870
67	881932.60	0.014291
68	869328.90	0.015614
69	855755.20	0.017000
70	841207.36	0.018396
71	825732.51	0.020025
72	809197.22	0.022026
73	791373.84	0.024187
74	772232.88	0.026581
75	751706.16	0.029310
76	729673.65	0.032392
77	706038.06	0.036288
78	680417.35	0.040636
79	652767.91	0.045463
80	623091.12	0.050795
81	591441.21	0.056655
82	557933.11	0.063064
83	522747.62	0.069481
84	486426.59	0.076539
85	449195.99	0.084129
86	411405.58	0.092686
87	373274.04	0.103014
88	334821.59	0.114434
89	296506.62	0.126925
90	258872.52	0.140650

Mortality Table
for Sections 415 and 417(e)

Age	l_x	q_x
91	222462.10	0.154664
92	188055.22	0.170190
93	156050.10	0.186631
94	126926.31	0.203518
95	101094.52	0.222123
96	78639.10	0.240233
97	59747.39	0.259380
98	44250.11	0.278936
99	31907.16	0.297614
100	22411.14	0.316630
101	15315.10	0.338758
102	10126.99	0.358830
103	6493.12	0.380735
104	4020.96	0.404426
105	2394.78	0.427883
106	1370.09	0.449085
107	754.80	0.466012
108	403.05	0.478582
109	210.16	0.488140
110	107.57	0.494813
111	54.34	0.498724
112	27.24	0.500000
113	13.62	0.500000
114	6.81	0.500000
115	3.41	0.500000
116	1.71	0.500000
117	0.86	0.500000
118	0.43	0.500000
119	0.22	0.500000
120	0.11	1.000000

EFFECTIVE DATE

The required use of the mortality table in this revenue ruling is effective for distributions with annuity starting dates on or after December 31, 2002, except that a plan may specify any earlier date during calendar year 2002 as the effective date for the required use of the mortality table in this revenue ruling under the plan. The effective date for the required use of the mortality table set forth in this revenue ruling for a plan is referred to as the plan's 94 GAR effective date. A plan's 94 GAR effective date must apply uniformly for purposes of §§ 415 and 417(e) of the Code and § 205(g)(3) of ERISA.

PLAN AMENDMENT

The latest date by which a plan may be amended to comply with this revenue ruling is the last day of the plan year that contains the plan's 94 GAR effective date. Thus, a plan with a July 1 to June 30 fiscal plan year ending June 30, 2002, must be amended no later than June 30, 2002, if the effective date is between January 1, 2002, and June 30, 2002. If such a plan is amended during its July 1, 2002, to June 30, 2003, plan year, the plan's 94 GAR effective date may be no earlier than July 1, 2002.

For a plan amendment adopted to comply with this revenue ruling no later than the last day of the plan year that contains the plan's 94 GAR effective date, the remedial amendment period under § 401(b) will end at the end of the EGTRRA remedial amendment period.

DETERMINATION LETTERS

Determination letter applications filed on or after the last day of the plan year that contains the plan's 94 GAR effective date will be reviewed with respect to whether the form of the plan satisfies the requirements of this revenue ruling. Determination letter applications filed before the last day of the plan year that contains the plan's 94 GAR effective date will be reviewed with respect to whether the form of the plan satisfies the requirements of this revenue ruling if an amendment to comply with the ruling is submitted with the request for the determination letter. In either case, determination letters issued with respect to such applications may be relied on with respect to the requirements of this revenue ruling.

MODEL PLAN AMENDMENTS

The Appendix provides two alternative model plan amendments that a plan sponsor, or a sponsor of a pre-approved plan, may adopt to comply with this revenue ruling. The first model amendment is intended to have the effect of adopting the mortality table set forth in this revenue ruling for purposes of adjusting any benefit or limitation under § 415(b)(2)(B), (C), or (D) and the applicable mortality table used for purposes of satisfying the requirements of § 417(e). The second model amendment is intended to have the effect of substituting the mortality table set forth in this revenue ruling for the mortality table set forth in Rev. Rul. 95–6 for all purposes under the plan for which the use of the mortality table set forth in Rev. Rul. 95–6 is specified. A plan sponsor should consider which of these two approaches is appropriate for the particular plan, or whether some other approach should be chosen for the plan.

A pre-approved plan (that is, a master or prototype or volume submitter plan) may be amended by the document's sponsor to comply with this revenue ruling to the extent authorized. Alternatively, adopting employers may adopt a plan amendment as an addendum to the plan or adoption agreement. The inclusion of either of the model plan amendments below in an addendum to a plan adopted to comply with EGTRRA will not cause a pre-approved plan to be treated as an individually designed plan.

A plan sponsor that adopts either of the model amendments verbatim (or with only minor changes) will have reliance that the form of its plan satisfies the requirements of this revenue ruling, and the adoption of such an amendment will not adversely affect the plan sponsor's reliance on a favorable determination, opinion, or advisory letter.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 95–6 is superseded for distributions with annuity starting dates on or after the earlier of December 31, 2002, or the date specified in the plan for which the use of the mortality table set forth in this revenue ruling is specified (which may be no earlier than January 1, 2002).

Rev. Rul. 98–1 is modified.

COMMENTS REQUESTED

The 94 GAR is designed as a generational table that incorporates mortality improvements on an annual basis. The table in this revenue ruling is based on the 94 GAR projected, using Scale AA, to 2002. Comments are requested in regard to how often the mortality table for §§ 415 and 417(e) of the Code should be updated. Comments should be sent to Commissioner of Internal Revenue Service, Attention T:EP:RA:T:A1, Washington, D.C. 20224.

DRAFTING INFORMATION

The principal author of this revenue ruling is Lawrence Isaacs of Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this revenue ruling, please contact the Employee Plans' taxpayer assistance telephone service at 1–877–829–5500 between the hours of 8:00 a.m. and 6:30 p.m. Eastern time, Monday through Friday (a toll-free number). Mr. Isaacs may be reached at 1–202–283–9710 (not a toll-free number).

Appendix — MODEL AMENDMENTS

The following are amendments that sponsors of qualified defined benefit plans may adopt to comply with §§ 415 and 417(e), as required under Rev. Rul. 2001–62.

MODEL PLAN AMENDMENT 1

1. Effective date. This section shall apply to distributions with annuity starting dates on or after ____________.
2. Notwithstanding any other plan provisions to the contrary, the applicable mortality table used for purposes of adjusting any benefit or limitation under § 415(b)(2)(B), (C), or (D) of the Internal Revenue Code as set forth in section_____ of the plan and the applicable mortality table used for purposes of satisfying the requirements of § 417(e) of the Internal Revenue Code as set forth in section ____________of the plan is the table prescribed in Rev. Rul. 2001–62.
3. For any distribution with an annuity starting date on or after the effective date of this section and before the adoption date of this section, if application of the amendment as of the annuity starting date would have caused a reduction in the amount of any distribution, such reduction is not reflected in any payment made before the adoption date of this section. However, the amount of any such reduction that is required under § 415(b)(2)(B) must be reflected actuarially over any remaining payments to the participant.

Note: This amendment should be used for plans that reference the applicable mortality table only for the purposes of adjusting any benefit or limitation under § 415(b)(2)(B), (C), or (D) of the Internal Revenue Code and satisfying the requirements of § 417(e) of the Internal Revenue Code. Paragraph 3 of this amendment should be used only if the effective date of the amendment is earlier than the adoption date of the amendment.

MODEL PLAN AMENDMENT 2

1. Effective date. This section shall apply to distributions with annuity starting dates on or after ____________.
2. Notwithstanding any other plan provisions to the contrary, any reference in the plan to the mortality table prescribed in Rev. Rul. 95–6 shall be construed as a reference to the mortality table prescribed in Rev. Rul. 2001- 62 for all purposes under the plan.
3. For any distribution with an annuity starting date on or after the effective date of this section and before the adoption date of this section, if application of the amendment as of the annuity starting date would have caused a reduction in the amount of any distribution, such reduction is not reflected in any payment made before the adoption date of this section. However, the amount of any such reduction that is required under § 415(b)(2)(B) must be reflected actuarially over any remaining payments to the participant.

Note: This amendment should be used for plans that specifically reference the mortality table provided in Rev. Rul. 95–6 and apply that table for other purposes as well as for purposes of adjusting any benefit or limitation under § 415(b)(2)(B), (C), or (D) and satisfying the requirements of § 417(e), where the plan sponsor wishes to replace the mortality table provided in Rev. Rul. 95–6 with the mortality table provided in Rev. Rul. 2001–62 for all purposes. If the plan references the mortality table prescribed in Rev. Rul. 95–6 using some other label (such as, for example, the GAM 83 blended mortality table), the plan's term should be used in place of the reference to the mortality table prescribed in Rev. Rul. 95–6. Paragraph 3 of this amendment should be used only if the effective date of the amendment is earlier than the adoption date of the amendment.

Section 472.—Last-in, First-out Inventories

26 CFR 1.472–1: Last-in, first-out inventories.

LIFO; price indexes; department stores. The October 2001 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, October 31, 2001.

Rev. Rul. 2001–66

The following Department Store Inventory Price Indexes for October 2001 were issued by the Bureau of Labor Statistics. The indexes are accepted by the Internal Revenue Service, under § 1.472–1(k) of the Income Tax Regulations and Rev. Proc. 86–46 (1986–2 C.B. 739) for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory methods for tax years ended on, or with reference to, October 31, 2001.

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups—soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS,
DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS
(January 1941 = 100, unless otherwise noted)

Groups	Oct. 2000	Oct. 2001	Percent Change from Oct. 2000 to Oct. 2001[1]
1. Piece Goods	502.4	500.3	-0.4
2. Domestics and Draperies	608.5	592.0	-2.7
3. Women's and Children's Shoes	661.5	675.5	2.1
4. Men's Shoes	915.5	872.5	-4.7
5. Infants' Wear	649.0	631.1	-2.8

BUREAU OF LABOR STATISTICS,
DEPARTMENT STORE INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS—CONTINUED

(January 1941 = 100, unless otherwise noted)

Groups	Oct. 2000	Oct. 2001	Percent Change from Oct. 2000 to Oct. 2001[1]
6. Women's Underwear	579.6	575.3	-0.7
7. Women's Hosiery	346.2	358.0	3.4
8. Women's and Girls' Accessories	555.6	573.7	3.3
9. Women's Outerwear and Girls' Wear	414.1	398.4	-3.8
10. Men's Clothing	601.0	587.3	-2.3
11. Men's Furnishings	632.7	628.2	-0.7
12. Boys' Clothing and Furnishings	494.4	490.5	-0.8
13. Jewelry	937.1	919.6	-1.9
14. Notions	792.8	797.1	0.5
15. Toilet Articles and Drugs	971.1	981.6	1.1
16. Furniture and Bedding	704.3	628.8	-10.7
17. Floor Coverings	627.7	616.0	-1.9
18. Housewares	778.0	767.1	-1.4
19. Major Appliances	228.6	224.1	-2.0
20. Radio and Television	57.9	52.6	-9.2
21. Recreation and Education[2]	92.6	89.2	-3.7
22. Home Improvements[2]	128.9	125.4	-2.7
23. Auto Accessories[2]	106.7	110.2	3.3
Groups 1 — 15: Soft Goods	607.3	598.6	-1.4
Groups 16 — 20: Durable Goods	437.8	419.1	-4.3
Groups 21 — 23: Misc. Goods[2]	100.1	98.2	-1.9
Store Total[3]	543.6	532.4	-2.1

[1] Absence of a minus sign before the percentage change in this column signifies a price increase.

[2] Indexes on a January 1986=100 base.

[3] The store total index covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Michael Burkom of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Burkom at (202) 622–7718 (not a toll-free call).

Section 483.—Interest on Certain Deferred Payments

26 CFR 1.483–1: Computation of interest on certain deferred payments.

As defined by section 1274A, the definitions for both "qualified debt instruments" and "cash method debt instruments" have dollar ceilings on the stated principal amount. The limits to the stated principal amount are adjusted for inflation for sales or exchanges occurring in the 2002 calendar year. See Rev. Rul. 2001–65, page 639.

Section 832.—Insurance Company Taxable Income

26 CFR 1.832–4: Gross income.

The salvage discount factors are set forth for the 2001 accident year. These factors will be used for computing estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2001–61, page 653.

Section 846.—Discounted Unpaid Losses Defined

26 CFR 1.846–1: Application of discount factors.

The loss payment patterns and discount factors are set forth for the 2001 accident year. These factors will be used for computing discounted unpaid losses under section 846 of the Code. See Rev. Proc. 2001–60, page 643.

The salvage discount factors are set forth for the 2001 accident year. These factors will be used for computing estimated salvage recoverable for purposes of section 832 of the Code. See Rev. Proc. 2001–61, page 653.

Section 1274. —Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

26 CFR 1.1274A–1: Special rules for certain transactions where stated principal amount does not exceed $2,800,000.

As defined by section 1274A, the definitions for both "qualified debt instruments" and "cash method debt instruments" have dollar ceilings on the stated principal amount. The limits to the stated principal amount are adjusted for inflation for sales or exchanges occurring in the 2002 calendar year. See Rev. Rul. 2001–65, on this page.

Section 1274A.—Special Rules for Certain Transactions Where Stated Principal Amount Does Not Exceed $2,800,000.

(Also §§ 1274, 483; 1.1274A–1, 1.483–1.)

Section 1274A—Inflation adjusted numbers for 2002. This ruling provides the dollar amounts, increased by the 2002 inflation adjustment, for section 1274A of the Code. Rev. Rul. 2000–55 supplemented and superseded.

Rev. Rul. 2001–65

This revenue ruling provides the dollar amounts, increased by the 2002 inflation adjustment, for § 1274A of the Internal Revenue Code.

BACKGROUND

In general, §§ 483 and 1274 determine the principal amount of a debt instrument given in consideration for the sale or exchange of nonpublicly traded property. In addition, any interest on a debt instrument subject to § 1274 is taken into account under the original issue discount provisions of the Code. Section 1274A, however, modifies the rules under §§ 483 and 1274 for certain types of debt instruments.

In the case of a "qualified debt instrument," the discount rate used for purposes of §§ 483 and 1274 may not exceed 9 percent, compounded semiannually. Section 1274A(b) defines a qualified debt instrument as any debt instrument given in consideration for the sale or exchange of property (other than new § 38 property within the meaning of § 48(b), as in effect on the day before the date of enactment of the Revenue Reconciliation Act of 1990) if the stated principal amount of the instrument does not exceed the amount specified in § 1274A(b). For debt instruments arising out of sales or exchanges before January 1, 1990, this amount is $2,800,000.

In the case of a "cash method debt instrument," as defined in § 1274A(c), the borrower and lender may elect to use the cash receipts and disbursements method of accounting. In particular, for any cash method debt instrument, § 1274 does not apply, and interest on the instrument is accounted for by both the borrower and the lender under the cash method of accounting. A cash method debt instrument is a qualified debt instrument that meets the following additional requirements: (A) In the case of instruments arising out of sales or exchanges before January 1, 1990, the stated principal amount does not exceed $2,000,000; (B) the lender does not use an accrual method of accounting and is not a dealer with respect to the property sold or exchanged; (C) § 1274 would have applied to the debt instrument but for an election under § 1274A(c); and (D) an election under § 1274A(c) is jointly made with respect to the debt instrument by the borrower and lender. Section 1.1274A–1(c)(1) of the Income Tax Regulations provides rules concerning the time for, and manner of, making this election.

Section 1274A(d)(2) provides that, for any debt instrument arising out of a sale or exchange during any calendar year after 1989, the dollar amounts stated in § 1274A(b) and § 1274A(c)(2)(A) are increased by the inflation adjustment for the calendar year. Any increase due to the inflation adjustment is rounded to the nearest multiple of $100 (or, if the increase is a multiple of $50 and not of $100, the increase is increased to the nearest multiple of $100). The inflation adjustment for any calendar year is the percentage (if any) by which the CPI for the preceding calendar year exceeds the CPI for calendar year 1988. Section 1274A(d)(2)(B) defines the CPI for any calendar year as the average of the Consumer Price Index as of the close of the 12-month period ending on September 30 of that calendar year.

INFLATION-ADJUSTED AMOUNTS

For debt instruments arising out of sales or exchanges after December 31, 1989, the inflation-adjusted amounts under § 1274A are shown in Table 1.

Rev. Rul. 2001–65 Table 1
Inflation-Adjusted Amounts Under § 1274A

Calendar Year of Sale or Exchange	*1274A(b) Amount (qualified debt instrument)*	*1274A(c)(2)(A) Amount (cash method debt instrument)*
1990	$2,933,200	$2,095,100
1991	$3,079,600	$2,199,700
1992	$3,234,900	$2,310,600
1993	$3,332,400	$2,380,300
1994	$3,433,500	$2,452,500
1995	$3,523,600	$2,516,900
1996	$3,622,500	$2,587,500
1997	$3,723,800	$2,659,900
1998	$3,823,100	$2,730,800
1999	$3,885,500	$2,775,400
2000	$3,960,100	$2,828,700
2001	$4,085,900	$2,918,500
2002	$4,217,500	$3,012,500

Note: These inflation adjustments were computed using the All-Urban, Consumer Price Index, 1982–1984 base, published by the Bureau of Labor Statistics.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 2000–55 (2000–52 I.R.B. 595) is supplemented and superseded.

DRAFTING INFORMATION

The principal author of this revenue ruling is Courtney Shepardson of the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling, contact Ms. Shepardson at (202) 622–3930 (not a toll-free call).

Section 7872.—Treatment of Loans With Below-Market Interest Rates

CPI adjustment for below-market loans–2002. The amount that section 7872(g) of the Code permits a taxpayer to lend a qualified continuing care facility without incurring imputed interest is published and adjusted for inflation for years 1987–2002.

Rev. Rul. 2001–64

This revenue ruling publishes the amount that § 7872(g) of the Internal Revenue Code permits a taxpayer to lend to a qualifying continuing care facility without incurring imputed interest. The amount is adjusted for inflation for the years after 1986.

Section 7872 generally treats loans bearing a below-market interest rate as if they bore interest at the market rate.

Section 7872(g)(1) provides that, in general, § 7872 does not apply for any calendar year to any below-market loan made by a lender to a qualified continuing care facility pursuant to a continuing care contract if the lender (or the lender's spouse) attains age 65 before the close of the year.

Section 7872(g)(2) provides that, in the case of loans made after October 11, 1985, and before 1987, § 7872(g)(1) applies only to the extent that the aggregate outstanding amount of any loan to which § 7872(g) applies (determined without regard to § 7872(g)(2)), when added to the aggregate outstanding amount of all other previous loans between the lender (or the lender's spouse) and any qualified continuing care facility to which § 7872(g)(1) applies, does not exceed $90,000.

Section 7872(g)(5) provides that, for loans made during any calendar year after 1986 to which § 7872(g)(1) applies, the $90,000 limit specified in § 7872(g)(2) is increased by an inflation adjustment. The inflation adjustment for any calendar year is the percentage (if any) by which the Consumer Price Index (CPI) for the preceding calendar year exceeds the CPI for calendar year 1985. Section 7872(g)(5) states that the CPI for any calendar year is the average of the CPI as of the close of the 12-month period ending on September 30 of that calendar year.

Table 1 sets forth the amount specified in § 7872(g)(2) of the Code. The amount is increased by the inflation adjustment for the years 1987–2002.

REV. RUL. 2001–64 TABLE 1
Limit Under 7872(g)(2)

Year	*Amount*
Before 1987	$ 90,000
1987	$ 92,200
1988	$ 94,800
1989	$ 98,800
1990	$103,500
1991	$108,600
1992	$114,100
1993	$117,500
1994	$121,100
1995	$124,300
1996	$127,800
1997	$131,300
1998	$134,800
1999	$137,000
2000	$139,700
2001	$144,100
2002	$148,800

Note: These inflation adjustments were computed using the All-Urban, Consumer Price Index 1982–1984 base, published by the Bureau of Labor Statistics.

EFFECT ON OTHER DOCUMENTS

Rev. Rul. 2000–56 (2000–52 I.R.B. 598) is supplemented and superseded.

DRAFTING INFORMATION

The author of this revenue ruling is Courtney Shepardson of the Office of Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue ruling, contact Ms. Shepardson at (202) 622–3940 (not a toll-free call).

Part III.—Administrative, Procedural, and Miscellaneous

2002 Limitations Adjusted as Provided in Section 415(d), etc.[1]

Notice 2001–84

Section 415 of the Internal Revenue Code (the Code) provides for dollar limitations on benefits and contributions under qualified retirement plans. Section 415 also requires that the Commissioner annually adjust these limits for cost-of-living increases. Other limitations applicable to deferred compensation plans are also affected by these adjustments. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) reset many of the statutory dollar amounts previously adjusted on an annual basis under § 415 of the Code. Additionally, other new limitation amounts were added by EGTRRA.

Limitations reset or established by EGTRRA

Effective for limitation years ending after December 31, 2001, the limitation on the annual benefit under a defined benefit plan under § 415(b)(1)(A) is increased from $140,000 to $160,000 by section 611 of EGTRRA. See, Q&A–1 of Rev. Rul. 2001–51 (2001–45 I.R.B. 427).

The limitation for defined contribution plans under § 415(c)(1)(A) of the Code is increased from $35,000 to $40,000 by section 611 of EGTRRA effective for limitation years beginning after December 31, 2001. However, the limitation for defined contribution plans with non-calendar limitation years beginning before January 1, 2002, and ending after December 31, 2001, remains unchanged at $35,000. *See*, Q&A–9 of Rev. Rul. 2001–51.

The limitation under § 402(g)(1) of the Code on the exclusion for elective deferrals described in § 402(g)(3) is increased from $10,500 to $11,000 by section 611 of EGTRRA. This limitation affects elective deferrals to section 401(k) plans and to the Federal Government's Thrift Savings Plan, among other plans.

The annual compensation limit under §§ 401(a)(17), 404(l), and 408(k)(3)(C) of the Code is increased from $170,000 to $200,000 by section 611 of EGTRRA.

The limitation under § 408(p)(2)(E) of the Code (formerly under § 408(p)(2)(A)) regarding SIMPLE retirement accounts is increased from $6,500 to $7,000 by section 611 of EGTRRA.

The limitation on deferrals under § 457(e)(15) of the Code (formerly under §§ 457(b)(2) and (c)(1)) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from $8,500 to $11,000 by section 611 of EGTRRA.

The dollar limitation under § 416(i)(1)(A)(i) of the Code concerning the definition of key employee in a top-heavy plan is $130,000, as added by section 613 of EGTRRA.

The dollar limitation under § 414(v)(2)(B)(i) of the Code for catch-up contributions to an applicable employer plan other than a plan described in § 401(k)(11) or 408(p) for individuals aged 50 or over is $1,000. The dollar limitation under § 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in § 401(k)(11) or 408(p) for individuals aged 50 or over is $500. Both of these limitations were added by section 631 of EGTRRA.

Limitations not reset by EGTRRA

The dollar amounts not reset by EGTRRA are adjusted at the same time and in the same manner as under § 415(d) of the Code as follows:

For participants who separated from service before January 1, 2002, the limitation for defined benefit plans under § 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2001, by 1.0270.

The dollar amount under § 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5-year distribution period is increased from $780,000 to $800,000, while the dollar amount used to determine the lengthening of the 5-year distribution period is increased from $155,000 to $160,000.

The limitation used in the definition of highly compensated employee under § 414(q)(1)(B) is increased from $85,000 to $90,000.

The annual compensation limitation under § 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost-of-living adjustments to the compensation limitation under the plan under § 401(a)(17) to be taken into account, is increased from $285,000 to $295,000.

The compensation amount under § 408(k)(2)(C) regarding simplified employee pensions (SEPs) remains unchanged at $450.

The compensation amounts under § 1.61–21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes is increased from $75,000 to $80,000. The compensation amount under § 1.61–21(f)(5)(iii) is increased from $155,000 to $160,000.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

DRAFTING INFORMATION

The principal author of this notice is John Heil of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding the information in this notice, contact the Employee Plans Customer Assistance Service at 1–877–829–5500 between the hours of 8:00 a.m. and 6:30 p.m. Eastern time, Monday through Friday (a toll-free call). For information on the methodology used in arriving at these numbers, contact Mr. Heil at 1–202–283–9888 (not a toll-free call).

[1] Based on News Release IR-2001-115, dated December 11, 2001.

26 CFR 601.201: Rulings and determination letters.
(Also Part I, Sections 846; 1.846–1.)

Rev. Proc. 2001–60

SECTION 1. PURPOSE

This revenue procedure prescribes the loss payment patterns and discount factors for the 2001 accident year. These factors will be used for computing discounted unpaid losses under § 846 of the Internal Revenue Code. *See* Rev. Proc. 98–11 (1998–1 C.B. 358) for background concerning the loss payment patterns and application of the discount factors.

SECTION 2. SCOPE

This revenue procedure applies to any taxpayer that is required to discount its unpaid losses under § 846 for a line of business using discount factors published by the Secretary.

SECTION 3. TABLES OF DISCOUNT FACTORS

.01 The following tables present separately for each line of business the discount factors under § 846 for accident year 2001. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2001, which is 6.00 percent, and by assuming all loss payments occur in the middle of the calendar year.

.02 If the groupings of individual lines of business on the annual statement change, taxpayers must discount the unpaid losses on the affected lines of business in accordance with the discounting patterns that would have applied to those unpaid losses based on their classification on the 1995 annual statement. *See* Rev. Proc. 98–11 (1998–1 C.B. 358) section 2, for additional background on discounting under section 846 and the use of the Secretary's tables.

.03 Section V of Notice 88–100 (1988–2 C.B. 439) provides a composite discount factor to be used in determining the discounted unpaid losses for accident years that are not separately reported on the annual statement. Taxpayers that do not use the methodology set forth in section V of Notice 88–100 should instead use the discount factor for the appropriate year in the Secretary's table for that line of business. If such taxpayers have unpaid losses relating to an accident year that is older than the last accident year for which a discount factor is presented in the Secretary's table, those unpaid losses should be discounted using the discount factor for the last accident year in the Secretary's table. *See* section 2.03(3) of Rev. Proc. 98–11.

.04 Tables

Accident and Health
(Other Than Disability Income or Credit Disability Insurance)

Discount factor for all years equals 97.1286 percent.

Auto Physical Damage

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+ 0	89.9430	89.9430	10.0570	9.7182	96.6309
AY+ 1	99.3814	9.4384	0.6186	0.5838	94.3797
AY+ 2	N/A	0.3093	0.3093	0.3004	97.1286

Commercial Auto/Truck Liability/Medical

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	25.8075	25.8075	74.1925	65.3144	88.0336
AY+1	49.8793	24.0718	50.1207	44.4497	88.6854

Commercial Auto/Truck Liability/Medical—Continued

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+2	67.6592	17.7799	32.3408	28.8112	89.0862
AY+3	79.7711	12.1119	20.2289	18.0699	89.3272
AY+4	88.2132	8.4421	11.7868	10.4624	88.7640
AY+5	93.1778	4.9646	6.8222	5.9788	87.6375
AY+6	95.9623	2.7845	4.0377	3.4707	85.9577
AY+7	97.0091	1.0468	2.9909	2.6012	86.9707
AY+8	97.5719	0.5628	2.4281	2.1778	89.6931
AY+9	98.2191	0.6471	1.7809	1.6422	92.2109
AY+10	N/A	0.6471	1.1338	1.0745	94.7685
AY+11	N/A	0.6471	0.4867	0.4727	97.1286

Composite Discount Factors

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	35.4611	35.4611	64.5389	55.5635	86.0930
AY+1	59.1449	23.6838	40.8551	34.5133	84.4773
AY+2	70.8220	11.6771	29.1780	24.5618	84.1792
AY+3	81.9019	11.0799	18.0981	14.6281	80.8265
AY+4	86.3688	4.4669	13.6312	10.9068	80.0133
AY+5	90.0497	3.6809	9.9503	7.7715	78.1028
AY+6	92.7488	2.6991	7.2512	5.4588	75.2820
AY+7	93.8259	1.0771	6.1741	4.6775	75.7592
AY+8	94.2415	0.4156	5.7585	4.5302	78.6700
AY+9	94.8568	0.6153	5.1432	4.1685	81.0493
AY+10	N/A	0.6153	4.5279	3.7851	83.5960
AY+11	N/A	0.6153	3.9125	3.3787	86.3558
AY+12	N/A	0.6153	3.2972	2.9479	89.4060
AY+13	N/A	0.6153	2.6819	2.4912	92.8922
AY+14	N/A	0.6153	2.0665	2.0072	97.1286

Fidelity/Surety

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	24.1540	24.1540	75.8460	70.3585	92.7650
AY+1	59.0961	34.9421	40.9039	38.6050	94.3797
AY+2	N/A	20.4520	20.4520	19.8647	97.1286

Financial Guaranty/Mortgage Guaranty

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	9.2513	9.2513	90.7487	84.1431	92.7210
AY+1	50.5659	41.3146	49.4341	46.6558	94.3797
AY+2	N/A	24.7171	24.7171	24.0073	97.1286

International (Composite)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	35.4611	35.4611	64.5389	55.5635	86.0930
AY+1	59.1449	23.6838	40.8551	34.5133	84.4773
AY+2	70.8220	11.6771	29.1780	24.5618	84.1792
AY+3	81.9019	11.0799	18.0981	14.6281	80.8265
AY+4	86.3688	4.4669	13.6312	10.9068	80.0133
AY+5	90.0497	3.6809	9.9503	7.7715	78.1028
AY+6	92.7488	2.6991	7.2512	5.4588	75.2820
AY+7	93.8259	1.0771	6.1741	4.6775	75.7592
AY+8	94.2415	0.4156	5.7585	4.5302	78.6700
AY+9	94.8568	0.6153	5.1432	4.1685	81.0493
AY+10	N/A	0.6153	4.5279	3.7851	83.5960
AY+11	N/A	0.6153	3.9125	3.3787	86.3558
AY+12	N/A	0.6153	3.2972	2.9479	89.4060
AY+13	N/A	0.6153	2.6819	2.4912	92.8922
AY+14	N/A	0.6153	2.0665	2.0072	97.1286

Medical Malpractice — Claims-Made

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	6.3899	6.3899	93.6101	77.4322	82.7178
AY+1	24.0011	17.6112	75.9989	63.9463	84.1411
AY+2	42.6970	18.6959	57.3030	48.5345	84.6980
AY+3	58.0610	15.3640	41.9390	35.6284	84.9528
AY+4	69.6653	11.6043	30.3347	25.8187	85.1128
AY+5	75.6033	5.9380	24.3967	21.2542	87.1194
AY+6	81.8786	6.2753	18.1214	16.0687	88.6725
AY+7	87.8539	5.9753	12.1461	10.8809	89.5834
AY+8	89.5207	1.6668	10.4793	9.8176	93.6862
AY+9	94.3025	4.7818	5.6975	5.4836	96.2450
AY+10	N/A	4.7818	0.9157	0.8894	97.1286

Medical Malpractice — Occurrence

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	2.1239	2.1239	97.8761	72.4330	74.0048
AY+1	6.4831	4.3592	93.5169	72.2909	77.3025
AY+2	15.5987	9.1156	84.4013	67.2433	79.6709
AY+3	31.9062	16.3075	68.0938	54.4883	80.0194
AY+4	45.0931	13.1868	54.9069	44.1809	80.4650
AY+5	50.0751	4.9821	49.9249	41.7024	83.5302
AY+6	60.9728	10.8976	39.0272	32.9847	84.5171
AY+7	69.2138	8.2411	30.7862	26.4791	86.0097
AY+8	72.8658	3.6519	27.1342	24.3079	89.5840
AY+9	80.0005	7.1347	19.9995	18.4208	92.1061
AY+10	N/A	7.1347	12.8648	12.1803	94.6798
AY+11	N/A	7.1347	5.7300	5.5655	97.1286

Miscellaneous Casualty

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	77.6669	77.6669	22.3331	21.2118	94.9792
AY+1	94.0673	16.4004	5.9327	5.5993	94.3797
AY+2	N/A	2.9664	2.9664	2.8812	97.1286

Multiple Peril Lines
(Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler, and Machinery))

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	55.9587	55.9587	44.0413	39.2528	89.1272
AY+1	77.8939	21.9352	22.1061	19.0243	86.0589
AY+2	84.0083	6.1144	15.9917	13.8706	86.7360
AY+3	91.3188	7.3105	8.6812	7.1762	82.6633
AY+4	92.1670	0.8482	7.8330	6.7334	85.9627
AY+5	94.3838	2.2168	5.6162	4.8552	86.4488
AY+6	96.4959	2.1121	3.5041	2.9719	84.8124
AY+7	97.3670	0.8712	2.6330	2.2533	85.5817
AY+8	98.0034	0.6364	1.9966	1.7334	86.8153
AY+9	98.4059	0.4025	1.5941	1.4230	89.2642
AY+10	N/A	0.4025	1.1916	1.0940	91.8045
AY+11	N/A	0.4025	0.7892	0.7453	94.4346
AY+12	N/A	0.4025	0.3867	0.3756	97.1286

Other
(Including Credit)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	66.7418	66.7418	33.2582	31.4355	94.5195
AY+1	89.2755	22.5337	10.7245	10.1217	94.3797
AY+2	N/A	5.3622	5.3622	5.2083	97.1286

Other Liability — Claims-Made

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	10.2440	10.2440	89.7560	74.4023	82.8940
AY+1	29.3763	19.1323	70.6237	59.1686	83.7800
AY+2	44.4111	15.0349	55.5889	47.2393	84.9799
AY+3	67.8197	23.4086	32.1803	25.9731	80.7112
AY+4	73.4753	5.6555	26.5247	21.7087	81.8434
AY+5	78.8604	5.3852	21.1396	17.4669	82.6265
AY+6	83.5027	4.6422	16.4973	13.7354	83.2585
AY+7	84.0676	0.5649	15.9324	13.9779	87.7327
AY+8	85.2129	1.1453	14.7871	13.6374	92.2252
AY+9	90.5992	5.3863	9.4008	8.9102	94.7808
AY+10	N/A	5.3863	4.0145	3.8993	97.1286

Other Liability — Occurrence

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	13.5751	13.5751	86.4249	68.4370	79.1866
AY+1	26.3964	12.8213	73.6036	59.3429	80.6249
AY+2	40.2725	13.8761	59.7275	48.6171	81.3982
AY+3	55.4566	15.1841	44.5434	35.9011	80.5981
AY+4	65.3309	9.8742	34.6691	27.8890	80.4434
AY+5	74.0647	8.7339	25.9353	20.5703	79.3140
AY+6	80.9090	6.8442	19.0910	14.7580	77.3031
AY+7	84.3622	3.4532	15.6378	12.0881	77.3006
AY+8	84.6163	0.2542	15.3837	12.5517	81.5914
AY+9	86.7311	2.1147	13.2689	11.1276	83.8621
AY+10	N/A	2.1147	11.1542	9.6180	86.2277
AY+11	N/A	2.1147	9.0395	8.0178	88.6981
AY+12	N/A	2.1147	6.9247	6.3216	91.2910
AY+13	N/A	2.1147	4.8100	4.5237	94.0479
AY+14	N/A	2.1147	2.6953	2.6179	97.1286

Private Passenger Auto Liability/Medical

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	37.9339	37.9339	62.0661	56.5092	91.0468
AY+1	67.7044	29.7705	32.2956	29.2492	90.5670
AY+2	81.5316	13.8272	18.4684	16.7681	90.7936
AY+3	89.8898	8.3583	10.1102	9.1689	90.6897
AY+4	94.6531	4.7633	5.3469	4.8149	90.0509
AY+5	97.1265	2.4734	2.8735	2.5573	88.9961
AY+6	98.4587	1.3322	1.5413	1.3392	86.8852
AY+7	98.9811	0.5224	1.0189	0.8817	86.5309
AY+8	99.2330	0.2519	0.7670	0.6752	88.0336
AY+9	99.4067	0.1737	0.5933	0.5369	90.4936
AY+10	N/A	0.1737	0.4196	0.3903	93.0125
AY+11	N/A	0.1737	0.2460	0.2349	95.5126
AY+12	N/A	0.1737	0.0723	0.0702	97.1286

Products Liability — Claims-Made

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	4.9750	4.9750	95.0250	76.1308	80.1166
AY+1	15.1072	10.1322	84.8928	70.2670	82.7714
AY+2	30.9560	15.8488	69.0440	58.1656	84.2443
AY+3	38.2420	7.2860	61.7580	54.1541	87.6876
AY+4	68.6101	30.3681	31.3899	26.1375	83.2673
AY+5	78.5966	9.9865	21.4034	17.4241	81.4078
AY+6	88.3971	9.8005	11.6029	8.3793	72.2169
AY+7	93.2957	4.8986	6.7043	3.8386	57.2557
AY+8	88.3815	-4.9142	11.6185	9.1284	78.5676
AY+9	89.6105	1.2290	10.3895	8.4107	80.9542
AY+10	N/A	1.2290	9.1604	7.6500	83.5111
AY+11	N/A	1.2290	7.9314	6.8436	86.2851
AY+12	N/A	1.2290	6.7024	5.9888	89.3544
AY+13	N/A	1.2290	5.4733	5.0828	92.8653
AY+14	N/A	1.2290	4.2443	4.1224	97.1286

Products Liability – Occurrence

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	9.0653	9.0653	90.9347	69.4041	76.3230
AY+1	14.9035	5.8382	85.0965	67.5575	79.3893
AY+2	29.2591	14.3555	70.7409	56.8310	80.3369
AY+3	45.6462	16.3871	54.3538	43.3693	79.7908
AY+4	57.5945	11.9483	42.4055	33.6700	79.4000
AY+5	63.8634	6.2689	36.1366	29.2359	80.9039
AY+6	75.2266	11.3632	24.7734	19.2910	77.8696
AY+7	78.2679	3.0413	21.7321	17.3172	79.6849
AY+8	78.1898	-0.0781	21.8102	18.4367	84.5322
AY+9	81.8722	3.6825	18.1278	15.7515	86.8918
AY+10	N/A	3.6825	14.4453	12.9053	89.3391
AY+11	N/A	3.6825	10.7628	9.8883	91.8744
AY+12	N/A	3.6825	7.0803	6.6902	94.4902
AY+13	N/A	3.6825	3.3979	3.3003	97.1286

Reinsurance A
(Nonproportional Property)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	27.1668	27.1668	72.8332	64.9403	89.1631
AY+1	68.7008	41.5340	31.2992	26.0748	83.3084
AY+2	70.0362	1.3354	29.9638	26.2645	87.6541
AY+3	87.5338	17.4976	12.4662	9.8255	78.8169
AY+4	90.2132	2.6794	9.7868	7.6564	78.2320
AY+5	91.3751	1.1619	8.6249	6.9196	80.2275
AY+6	94.3845	3.0095	5.6155	4.2363	75.4399
AY+7	93.3293	-1.0552	6.6707	5.5769	83.6030
AY+8	N/A	1.0387	5.6320	4.8421	85.9749
AY+9	N/A	1.0387	4.5932	4.0632	88.4598
AY+10	N/A	1.0387	3.5545	3.2375	91.0821
AY+11	N/A	1.0387	2.5158	2.3623	93.9007
AY+12	N/A	1.0387	1.4771	1.4346	97.1286

Reinsurance B
(Non-proportional Liability)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	6.6962	6.6962	93.3038	69.3996	74.3802
AY+1	22.3944	15.6982	77.6056	57.4013	73.9654
AY+2	32.6486	10.2542	67.3514	50.2879	74.6651
AY+3	50.2234	17.5748	49.7766	35.2109	70.7379
AY+4	53.5839	3.3605	46.4161	33.8637	72.9568
AY+5	55.6838	2.0999	44.3162	33.7335	76.1201
AY+6	63.6144	7.9306	36.3856	27.5925	75.8336
AY+7	66.4211	2.8066	33.5789	26.3584	78.4969
AY+8	N/A	2.8066	30.7723	25.0503	81.4054
AY+9	N/A	2.8066	27.9656	23.6637	84.6171
AY+10	N/A	2.8066	25.1590	22.1939	88.2146
AY+11	N/A	2.8066	22.3524	20.6359	92.3211
AY+12	N/A	2.8066	19.5457	18.9845	97.1286

Reinsurance C
(Financial Lines)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	11.4622	11.4622	88.5378	77.3623	87.3777
AY+1	44.5791	33.1169	55.4209	47.9081	86.4441
AY+2	63.9134	19.3343	36.0866	30.8767	85.5627
AY+3	65.6185	1.7051	34.3815	30.9737	90.0885
AY+4	79.9778	14.3593	20.0222	18.0484	90.1419
AY+5	88.9152	8.9374	11.0848	9.9297	89.5793
AY+6	91.2490	2.3338	8.7510	8.1227	92.8199
AY+7	94.7645	3.5155	5.2355	4.9906	95.3224
AY+8	N/A	3.5155	1.7200	1.6706	97.1286

Special Property
(Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	57.4895	57.4895	42.5105	40.5227	95.3241
AY+1	90.5193	33.0297	9.4807	8.9479	94.3797
AY+2	N/A	4.7404	4.7404	4.6043	97.1286

Workers' Compensation

Tax Year	Cumulative Losses Paid (%)	Estimated Losses Paid Each Year (%)	Unpaid Losses at Year End (%)	Discounted Unpaid Losses at Year End (%)	Discount Factors (%)
AY+0	23.6461	23.6461	76.3539	62.7199	82.1437
AY+1	44.8166	21.1705	55.1834	44.6867	80.9786
AY+2	57.9652	13.1486	42.0348	33.8306	80.4824
AY+3	72.0542	14.0889	27.9458	21.3550	76.4156
AY+4	80.5542	8.5000	19.4458	13.8850	71.4034
AY+5	84.8876	4.3334	15.1124	10.2565	67.8684
AY+6	87.1173	2.2297	12.8827	8.5763	66.5723
AY+7	88.2647	1.1473	11.7353	7.9096	67.4000
AY+8	88.5404	0.2757	11.4596	8.1003	70.6858
AY+9	88.8062	0.2658	11.1938	8.3126	74.2613
AY+10	N/A	0.2658	10.9279	8.5377	78.1273
AY+11	N/A	0.2658	10.6621	8.7763	82.3127
AY+12	N/A	0.2658	10.3963	9.0291	86.8499
AY+13	N/A	0.2658	10.1304	9.2972	91.7750
AY+14	N/A	0.2658	9.8646	9.5813	97.1286

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure, contact Ms. Hossofsky at (202) 622–3477 (not a toll-free number).

26 CFR 601.201: Rulings and determination letters. (Also Part I, Sections 832, 846; 1.832–4, 1.846–1.)

Rev. Proc. 2001–61

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2001 accident year. These factors will be used for computing discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

SECTION 2. BACKGROUND

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including that which cannot be treated as an asset for state accounting purposes) be taken into account in computing the deduction for losses incurred. Under § 832(b)(5)(A), paid losses are to be reduced by salvage and reinsurance recovered during the taxable year. This amount is adjusted to reflect changes in discounted unpaid losses on nonlife insurance contracts and in unpaid losses on life insurance contracts. An adjustment is then made to reflect any changes in discounted estimated salvage recoverable and in reinsurance recoverable.

Pursuant to § 832(b), the amount of estimated salvage is determined on a discounted basis in accordance with procedures established by the Secretary.

SECTION 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

SECTION 4. APPLICATION

.01 The following tables present separately for each line of business the discount factors under § 832 for the 2001 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2001, which is 6.00 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. *See* Rev. Proc. 98–12 (1998–1 C.B. 367) for background regarding the tables.

.02 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own historical experience under § 846.

.03 Section V of Notice 88–100 (1988–2 C. B. 439) provides guidance concerning the determination of discount factors for unpaid losses for accident years not separately reported on the annual statement. Taxpayers that do not use the methodology set forth in section V of Notice 88–100 should instead use the discount factors for the appropriate year in the Secretary's table for that line of business. If such taxpayers have unpaid losses relating to an accident year that is older than the last accident year for which a discount factor is presented in the Secretary's table, those unpaid losses should be discounted using the discount factor for the last accident year in the Secretary's table. *See* section 2.03(3) of Rev. Proc. 98–11 (1998–1 C.B. 358).

.04 Tables.

Accident and Health (Other Than Disability Income or Credit Disability Insurance)

Discount factor for all years equals 97.1286 percent.

Auto Physical Damage

Tax Year	Discount Factors (%)
AY+0	95.7674
AY+1	94.3797
AY+2	97.1286

Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
AY+0	88.5939
AY+1	87.7783
AY+2	89.4468
AY+3	88.7496
AY+4	88.5847
AY+5	90.8892
AY+6	86.3339
AY+7	91.7857
AY+8	90.2742
AY+9	92.7870
AY+10	95.2906
AY+11	97.1286

Composite Discount Factors

Tax Year	Discount Factors (%)
AY+0	86.1785
AY+1	84.6206
AY+2	84.2139
AY+3	84.1124
AY+4	84.8349
AY+5	85.3994
AY+6	85.4575
AY+7	85.5553
AY+8	88.3172
AY+9	90.7912
AY+10	93.3259
AY+11	95.8396
AY+12	97.1286

Fidelity/Surety

Tax Year	Discount Factors (%)
AY+0	93.0996
AY+1	94.3797
AY+2	97.1286

Financial Guaranty/ Mortgage Guaranty

Tax Year	Discount Factors (%)
AY+0	94.8732
AY+1	94.3797
AY+2	97.1286

International (Composite)

Tax Year	Discount Factors (%)
AY+0	86.1785
AY+1	84.6206
AY+2	84.2139
AY+3	84.1124
AY+4	84.8349
AY+5	85.3994
AY+6	85.4575
AY+7	85.5553
AY+8	88.3172
AY+9	90.7912
AY+10	93.3259
AY+11	95.8396
AY+12	97.1286

Medical Malpractice — Claims-Made

Tax Year	Discount Factors (%)
AY+0	70.9439
AY+1	73.5534
AY+2	72.1559
AY+3	71.5538
AY+4	75.0244
AY+5	73.4668
AY+6	82.8921
AY+7	91.7648
AY+8	96.4576
AY+9	97.1286

Medical Malpractice — Occurrence

Tax Year	Discount Factors (%)
AY+0	64.9126
AY+1	68.2051
AY+2	72.6369
AY+3	76.3310
AY+4	73.2474
AY+5	79.1277
AY+6	83.9409
AY+7	86.9752
AY+8	91.3121
AY+9	93.8960
AY+10	96.4969
AY+11	97.1286

Miscellaneous Casualty

Tax Year	Discount Factors (%)
AY+0	95.1962
AY+1	94.3797
AY+2	97.1286

Multiple Peril Lines (Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Discount Factors (%)
AY+0	88.6776
AY+1	87.6647
AY+2	88.4118
AY+3	88.0806
AY+4	89.1756
AY+5	90.5830
AY+6	90.5792
AY+7	89.5685

Multiple Peril Lines (Homeowners/Farmowners Multiple Peril, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Discount Factors (%)
AY+8	91.9074
AY+9	94.5167
AY+10	97.1286

Other (Including Credit)

Tax Year	Discount Factors (%)
AY+0	96.2118
AY+1	94.3797
AY+2	97.1286

Other Liability — Claims-Made

Tax Year	Discount Factors (%)
AY+0	78.1587
AY+1	83.4921
AY+2	82.5351
AY+3	80.2819
AY+4	83.1960
AY+5	87.7328
AY+6	86.3005
AY+7	91.7967
AY+8	93.8594
AY+9	96.4520
AY+10	97.1286

Other Liability — Occurrence

Tax Year	Discount Factors (%)
AY+0	79.1003
AY+1	79.8165
AY+2	82.1449
AY+3	84.0693
AY+4	85.2943
AY+5	82.9430
AY+6	86.9293
AY+7	88.8442
AY+8	92.8410
AY+9	95.3428
AY+10	97.1286

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
AY+0	91.8234
AY+1	91.2893
AY+2	90.3834
AY+3	90.0088
AY+4	89.5577
AY+5	90.0005
AY+6	88.8299
AY+7	89.5391
AY+8	90.2147
AY+9	92.7265
AY+10	95.2329
AY+11	97.1286

Products Liability — Claims-Made

Tax Year	Discount Factors (%)
AY+0	79.5379
AY+1	81.5337
AY+2	85.9078
AY+3	85.8225
AY+4	81.5464
AY+5	88.3645
AY+6	81.2686
AY+7	88.5406
AY+8	96.8633
AY+9	97.1286

Products Liability — Occurrence

Tax Year	Discount Factors (%)
AY+0	76.1115
AY+1	78.6586
AY+2	77.0761
AY+3	78.3522
AY+4	80.0713
AY+5	79.4367
AY+6	80.7804
AY+7	73.1074
AY+8	78.4522
AY+9	80.8473
AY+10	83.4161
AY+11	86.2062
AY+12	89.2973
AY+13	92.8357
AY+14	97.1286

Reinsurance A (Nonproportional Property)

Tax Year	Discount Factors (%)
AY+0	86.8922
AY+1	89.9989
AY+2	92.6537
AY+3	92.0270
AY+4	79.5110
AY+5	94.9370
AY+6	93.5902
AY+7	96.1337
AY+8	97.1286

Reinsurance B (Nonproportional Liability)

Tax Year	Discount Factors (%)
AY+0	75.2252
AY+1	77.4497
AY+2	78.1634
AY+3	77.5844
AY+4	80.0321
AY+5	75.2265
AY+6	76.9615
AY+7	84.2881
AY+8	86.6481
AY+9	89.1014
AY+10	91.6542
AY+11	94.3176
AY+12	97.1286

Reinsurance C (Financial Lines)

Tax Year	Discount Factors (%)
AY+0	81.5339
AY+1	83.8710
AY+2	87.0718
AY+3	92.8074
AY+4	91.4169
AY+5	93.2543
AY+6	89.8633
AY+7	97.0178
AY+8	97.1286

Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)

Tax Year	Discount Factors (%)
AY+0	92.4418
AY+1	94.3797
AY+2	97.1286

Workers' Compensation

Tax Year	Discount Factors (%)
AY+0	78.9510
AY+1	81.3287
AY+2	83.1942
AY+3	84.7269
AY+4	84.8406
AY+5	85.0065
AY+6	86.1624
AY+7	86.8999
AY+8	89.2560
AY+9	91.7969
AY+10	94.4286
AY+11	97.1286

DRAFTING INFORMATION

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Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as"rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Intemal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statements of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

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[1] A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2001–1 through 2001–26 is in Internal Revenue Bulletin 2001–27, dated July 2, 2001.

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